



Patrick W. Henning, Director
October 26, 2009
22M:375:JEP:9037



Arnold Schwarzenegger
Governor

Mr. Jeff Ruster, Director
Silicon Valley Workforce Investment Network
City of San Jose Office of Economic Development
1290 Parkmoor Ave
San Jose, CA 95126

Dear Mr. Ruster:

**WORKFORCE INVESTMENT ACT
85-PERCENT PROGRAM REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2008-09**

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Work2future's (W2F) Workforce Investment Act (WIA) 85-Percent program operations. We focused this review on the following areas: Workforce Investment Board and Youth Council composition, local program monitoring of subrecipients, management information system/reporting, incident reporting, nondiscrimination and equal opportunity, grievance and complaint system, and Youth program operations including WIA activities, participant eligibility, and Youth services.

This review was conducted by Ms. Jennifer Patel from October 27, 2008 through October 31, 2008.

Our review was conducted under the authority of Sections 667.400 (a) and (c) and 667.410 of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by W2F with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations for PY 2008-09.

We collected the information for this report through interviews with W2F representatives and service provider staff. In addition, this report includes the results of our review of selected case files, W2F's response to Section I and II of the Program On-Site Monitoring Guide, and a review of applicable policies and procedures for PY 2008-09.

We received your response to our draft report on April 15, 2009, and reviewed your comments and documentation before finalizing this report. Your response did not

adequately address finding one cited in the draft report, and we consider this finding unresolved. We request that W2F provide the Compliance Review Office with additional information and a corrective action plan to resolve the issue that led to the finding. Therefore, this finding remains open and has been assigned Corrective Action Tracking System (CATS) number 90087. However, your response adequately addressed finding two and we consider this finding resolved. Lastly your response adequately addressed finding three, four, and five cited in the draft report. However, these issues will remain open until we verify your implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 90089, 90090, and 90091. respectively..

BACKGROUND

The W2F was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. As of September 30, 2008, very little of the PY 2008-09 formula allocated funds had been expended. For PY 2007-08, W2F was allocated: \$3,366,005 to serve 525 adult participants; \$3,549,446 to serve 557 youth participants; and \$1,731,138 to serve 410 dislocated worker participants.

For the quarter ending September 30, 2008, W2F reported the following expenditures from its PY 2007-08 WIA programs: \$3,366,005 for adult participants; \$1,655,890 for youth participants; and \$2,306,082 for dislocated worker participants. In addition, W2F reported the following enrollments as of September 30, 2008: 2,725 adult participants; 423 youth participants; and 364 dislocated worker participants. We reviewed case files for 30 of the 3,512 participants enrolled in the WIA program as of October 27, 2008.

PROGRAM REVIEW RESULTS

While we concluded that, overall, W2F is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: Workforce Investment Board (WIB) composition, Youth Council (YC) composition, Youth Individual Service Strategy (ISS), applicant statements, and follow-up. The findings that we identified in these areas, our recommendations, and W2F's proposed resolution of the findings are specified below.

FINDING 1

Requirement: WIA 117(b)(2)(A)(v) states, in part, that the membership of each Local Board shall include representatives of economic development agencies and of each of the one-stop partners.

20 CFR Section 661.315(a) states, in part, the Local Board must contain two or more members representing the categories described in WIA section 117(b)(2)(A)(ii)—(v), including economic development agencies.

20 CFR Section 662.200(b)(1)(v) states, in part, that the local area is required to have a partner who is responsible for administering programs and activities authorized under Title 1 of WIA serving Native American programs.

Observation: The W2F WIB is missing one of two required economic development agency representatives. The position has been vacant since October 2007. Additionally, the WIB is missing a representative from a program serving Native Americans. The W2F WIB has never had a Native American program representative.

Recommendation: We recommended that W2F provide the Compliance Review Division (CRD) with a corrective action plan (CAP), including a timeline, for appointing an economic development representative and Native American program representative to the WIB. Additionally, we recommended that W2F provide CRD with documentation demonstrating that this appointment was made.

W2F Response: The W2F stated that on November 21, 2008 Mr. Larry Cope, President and CEO of the Gilroy Economic Development Corporation was appointed to serve as a private sector representative on the work2future board of directors.

20 CFR Section 662.200(b)(1)(v) states, in part, that the local area is required to have a partner who is responsible for administering programs and activities authorized under Title 1 of WIA service Native American programs. To clarify the above finding the following was stated: "The WIB is missing a representative from a program serving Native Americans," W2F is not missing a WIB representative, but a mandated partner per 20 CFR Section 662.200(b)(1)(v).

A Native American program representative has been contacted, Michael Durran, Counseling Director, from the Indian Health Center who will act as W2F's partner representative for Native Americans under Title 1 of WIA serving Native American programs.

State Conclusion: Based on W2F's response, we cannot resolve this issue at this time. Although W2F now has a partner representing Native American programs, there is still no representation of Native American programs on the local board. 20 CFR 661.315(a) states, in part, that the Local Board must contain at least one member representing each One-Stop Partner. We recommend that W2F provide a CAP, including a timeline, for appointing a member of its partner providing Native American programs to the WIB.

Additionally, the memorandum W2F provided as documentation for Mr. Larry Cope's appointment indicates he is appointed as a private sector representative (or business representative). Mr. Larry Cope can represent a local business and economic development but the WIB roster should properly indicate this. We recommend that W2F provide an updated WIB roster to verify that Larry Cope is appointed as an economic development agency representative and/or local business representative. This issue remains open and has been assigned CATS number 90087.

FINDING 2

Requirement: 20 CFR Section 661.335(b)(2) states, in part, that the membership of each Youth Council must include members who represent service agencies, such as juvenile justice and local law enforcement agencies.

Observation: The W2F YC has never had a representative from juvenile justice or a local law enforcement agency. The W2F identified possible individuals from the San Jose Police Department, but these individuals did not commit to being a member of the YC.

Recommendation: We recommended that W2F provide CRD with a CAP, including a timeline, for appointing a juvenile justice or local law enforcement representative to the YC. Additionally, we recommended that W2F provide CRD with documentation demonstrating that this appointment was made.

W2F Response: The W2F stated that the YC convened on January 13, 2009 and recommended to prioritize obtaining the missing members identified above as a top priority. The YC has invited a potential member to the upcoming June 2, 2009 Youth Council meeting. On Wednesday, March 4, 2009 Toby Wong, Division Commander with

the Santa Clara Department of Corrections, confirmed that he would be in attendance at the upcoming Youth Council meeting on June 2, 2009. Upon approval/appointment to the Youth Council an updated roster will be forwarded to CRD.

On September 29, 2009, Captain Toby Wong from the Elmwood Facility Complex was appointed to the YC. The W2F provided an updated YC roster and appointment letter as verification.

State Conclusion: We consider this finding resolved.

FINDING 3

Requirement: WIA 129(c)(1)(A-B) states, in part, that youth programs shall provide an objective assessment of the academic levels, skill levels, and service needs of each participant, which assessment shall include a review of basic skills, occupational skills, prior work experience, employability, interests, aptitudes (including interests and aptitudes for nontraditional jobs), supportive service needs, and developmental needs of such participant. Additionally, the program shall develop a service strategy for each participant that shall identify an employment goal (including, in appropriate circumstances, nontraditional employment), appropriate achievement objectives, and appropriate services for the participant taking into account the assessment as described above.

Observation: We found that W2F's Youth ISS does not assess the youth participant's employment goal or achievement objectives. Specifically, the ISS includes a section to record the results of the participant's occupational skills, interest, and aptitude assessment, but in 30 of 30 case files reviewed, this section was never completed by the case managers. Additionally, the participant's employment goal or achievement objectives are not assessed elsewhere in the case file.

Recommendation: We recommended that W2F revise its ISS to include sections that record the assessment of the youth participant's employment goals and achievement objectives. If the youth participant is assessed not to have employment goals, then we recommended that the W2F document the reason in the ISS. We also recommended that W2F complete the sections in the ISS titled occupational skills, interest, and aptitude assessment.

W2F**Response:**

The W2F stated that they have revised their ISS to include sections that record the assessment of the youth participant's employment goals and achievement objectives. If the youth participant is assessed not to have employment goals, then W2F will document the reason in the ISS. The W2F also acknowledges that some youth do not have employment goals but education goals. The W2F will now also complete the sections in the ISS titled occupational skills, interest, and aptitude assessment. On December 17, 2008 program staff discussed changes to the ISS to be implemented for new program year beginning July 1, 2009.

State Conclusion:

The W2F's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, W2F's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90089.

FINDING 4**Requirement:**

20 CFR Section 663.105 states, in part, that registration is the process for collecting information to support a determination of eligibility. This information may be collected through methods that include electronic data transfer, personal interview, or an individual's application.

WIAD04-18 states, in part, that One-Stop Operators and applicants must make reasonable efforts to document eligibility for WIA funded programs. However, applicant statements may be used when an item is unverifiable or it is unreasonably difficult for the applicant to obtain. Additionally, Local Workforce Investment Areas are responsible for ensuring that adequate documentation (including applicant statements) is contained in participant case files to minimize the risk of disallowed costs.

WIA 101(25) states, in part, that the term "low-income individual" means an individual who:

- receives, or is a member of a family that receives, cash payments under a Federal, State, or local income-based public assistance program;
- received an income, or is a member of a family that received a total family income, for the 6-month period prior to application for the program involved;

- is a member of a household that receives or is approved to receive food stamps;
- qualifies as a homeless individual;
- is a foster child on behalf of whom State or local government payments are made; or
- is an individual with a disability.

Observation:

We observed that 26 of 30 case files reviewed contained applicant statements to verify eligibility for the youth program and did not show that efforts were made to obtain eligibility documentation prior to using a self-certification. Specifically, all participant case files contained a WIA Unemployment Insurance-Data Consent Authorization Form, which was signed by the participant at the time of application to authorize W2F to obtain income verification for eligibility purposes. However, in 26 of 30 case files reviewed the form was never completed or submitted to obtain income verification. For example, applicant statements were:

- Used to verify the participant was unemployed and not claimed as a dependent family member,
- Used to verify receipt of general assistance, and
- Used to verify income for the six-month period prior to application, etc.

Recommendation: We recommended that W2F provide CRD with a CAP stating how it will ensure, in the future, that all attempts to document program eligibility will be contained in the case file before using a self-certification.

**W2F
Response:**

The W2F stated that per CRD's recommendation W2F held a Youth Forum on December 17, 2008 in which Youth managers and case managers were in attendance. At that time the service providers were advised that all applicants must make reasonable efforts to obtain documents that verify eligibility for WIA funded programs. Furthermore, service providers were advised to review the W2F Technical Assistance guide, which states that the applicant statement must be used prudently in obtaining information. It was also discussed that an applicant statement may be used when an item is unverifiable or it is unreasonably difficult for the applicant to obtain the necessary information. That being said the service providers will be responsible to state

in the case notes the attempts that were made to gather the necessary documentation and why they ultimately utilized the applicant statement.

State Conclusion: The W2F's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, W2F's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90090.

FINDING 5

Requirement: 20 CFR Section 667.300(a) states, in part, that all states and other direct grant recipients must report financial, participant, and performance data in accordance with instructions issued by the Department of Labor.

20 CFR Section 664.450(b) states, in part, that all youth participants must receive some form of follow-up services for a minimum duration of 12 months.

WIAD04-17 states, in part, that follow-up contact information is mandatory for four quarters after a client's exit unless specified otherwise in the entity's contract. Individuals may be re-evaluated at 30 days after exit and 60 days after exit for local purposes and at the 1st, 2nd, 3rd, or 4th quarter after the client leaves the program. A follow-up contact is a check to determine a client's employment and educational status after exiting the WIA program.

Observation: We observed that W2F did not conduct first quarter follow-up for 7 of 18 youth participants who exited the WIA program. Although the required 1st quarter follow-up was eventually conducted during the 2nd quarter, this delay method does not replace the requirement to conduct quarterly follow-up during the correct period.

Recommendation: We recommended that W2F provide CRD with a CAP stating how it will ensure, in the future, that follow-up is conducted timely for four quarters after the participant's exit.

W2F Response: The W2F stated that in previous years, contracted service providers were responsible for the follow-up service of clients after exit. After recent examination of follow-up services being

provided, it was decided that W2F, specifically MIS staff would be responsible for providing follow-up services to all clients enrolled on July 1, 2008 or after. This was done to maintain consistency, accuracy, and to ensure that the follow-up for the required four quarters was complete. The W2F developed in house guidelines regarding follow-up and provided CRD with a copy.

Although the new guidelines are now in place, W2F stated that there has been a transition period in which they have been diligently working to bring follow-up current. In light of these system changes, along with an increase in awareness and oversight, the follow-up for program monitoring will be accurate, timely, and meet the program standards as established by WIA regulations. To ensure that the quality of follow-up meets all regulatory standards W2F has implemented increased training of their staff.

State Conclusion: The W2F's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, W2F's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 90091.

In addition to the findings above, we identified a condition that may become a compliance issue if not addressed. Specifically, we found that W2F gave an incentive to two participants prior to verifying the achievement. Specifically, one participant was awarded \$150 for obtaining employment at Target. However, verification that the participant was working at Target wasn't received until seven months after the incentive was provided to the participant. Additionally, one participant was awarded \$150 for enrolling in college. However, verification that the participant was enrolled in and attending college wasn't received until six months after the incentive was awarded. We suggested that prior to awarding any incentives to WIA participants, that W2F first verify the achievement/activity linked to the incentive and then document it efforts in the case file.

In its response, W2F stated that on December 17, 2008 a meeting was held with the service providers to ensure that case managers are following W2F's policies regarding incentives. The W2F will be following up with providers to ensure that they are complying with set policies prior to awarding any incentives to WIA participants. The W2F will be following up with service providers and implementing corrective action notices and to ensure full compliance with policies through program monitoring.

The W2F adequately addressed our concern.

Mr. Jeff Ruster

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October 26, 2009

We provide you up to 20 working days after receipt of this report to submit your response to the Compliance Review Office. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 24, 2009. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is W2F's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain W2F's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jose Luis Marquez, MIC 50
Dathan O. Moore, MIC 50
Doug Orlando, MIC 50
Daniel Patterson, MIC 45